

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**ADMINISTRATIVE RULE  
FISCAL IMPACT STATEMENT**

**PROPOSED RULE:** 03-233  
**STATE AGENCY:** Division of Family and Children

**DATE PREPARED:** Apr 26, 2004  
**DATE RECEIVED:** Mar 15, 2004

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**Digest of Proposed Rule:** This rule adds 470 IAC 3-18 to establish the eligibility requirements and standards child care providers, who want to participate in the Child Care and Development Fund (CCDF) voucher program, must meet, prior to participation in the voucher program, in order to be eligible to receive a voucher payment.

**Governmental Entities:** *State:* This rule places no unfunded mandates upon the state government.

This rule requires child care providers in order to receive CCDF vouchers to be inspected through the Family and Social Services Administration (FSSA). The rule does not require inspection for all providers. Providers who are not inspected may continue to operate, however, they are not eligible for CCDF vouchers. Providers are required to apply annually to continue participation in the CCDF program.

Current statute (IC 12-17.2-3.5), enacted in July of 2001, sets forth requirements for child care providers to be eligible for CCDF vouchers. The requirements of this rule mirror those in IC 12-17.2-3.5. The statute and rule apply to two separate groups of providers: (1) legally licensed-exempt providers; and (2) licensed providers and child care ministries. The FSSA has required compliance with IC 12-17.2-3.5 since it was enacted. The rule codifies the FSSA rules in accordance with the FSSA current practice and Indiana statute. The rule creates no change in expenditures or revenues for the state.

When IC 12-17.2-3.5 was passed:

(1) The Division of Family and Children (DFC) had licensing staff that inspected licensed child care centers, licensed child care homes, and registered child care ministries for compliance with licensing and registration standards. Those staff were given the responsibility of conducting CCDF compliance inspections as well.

(2) The DFC contracted with the Indiana Association for Child Care Resource and Referral (IACCRR) to inspect legally licensed-exempt child care providers to ensure compliance with the requirements set forth in statute for CCDF voucher eligibility. The contract is currently in its second year.

*Background on CCDF:* The CCDF was created as a part of the 1996 federal welfare reform law. It combined all previously federally funded programs for child care into one funding source. The CCDF is funded entirely by the federal government; no state match is required. In addition, states may transfer up to 30% of TANF funds to the CCDF. Indiana's CCDF budget was \$170.3 M in FFY 2003; \$166 M were direct services dollars,

\$4.3 M were for administrative duties.

The federal government requires that the state use no less than 4% of the money appropriated to it for activities that are designed to provide comprehensive consumer education to parents and the public, activities to increase personal choice, and activities designed to improve the quality of child care and availability of child care. The latter items would include inspection of child care facilities. The FSSA reports that funding for these inspections comes from the Child Care and Development Quality Funds.

*Local:* This rule places no unfunded mandates upon any local government unit.

**Regulated Entities:** Child care providers are the regulated entities, although participation as a CCDF child care provider is voluntary. The proposed rule has some potential costs to participating child care providers.

*Provider Numbers:* According to the Division's Bureau of Child Development's records, during FFY 2003, 10,147 providers received CCDF vouchers. Currently, 4,700 children are on the CCDF voucher waiting list.

**Number and Type of Providers:**

Type of Provider	Number
License-Exempt Homes	5,585
License-Exempt Centers	243
Child Care Ministries	569
Licensed Homes	3,062
Licensed Centers	688
Total	10,147

**Number of Individuals Affected:**

Type of Provider	Total Participating Providers	Estimated Employees	Estimated Household Members	Total Individuals Affected
License-Exempt Homes	5,585	0	3	16,755
License-Exempt Centers	243	7	0	1,701
Child Care Ministries	569	7	0	3,983
Licensed Homes	3,062	1	3	12,248
Licensed Centers	688	20	0	13,760
<b>Total</b>	<b>10,147</b>			<b>48,447</b>

*Cost of Compliance:* As was indicated above, the requirements of the rule mirror current statute. All but one of the requirements for participation in the CCDF voucher program have been previously implemented. The exception is the requirement for providers to register themselves, all employees, and all individuals over the age of 18 residing in the child care facility (this is only applicable to child care homes) into a random drug-testing pool.

The FSSA estimates the cost of registration into the drug testing pool to be approximately \$5 per individual registered. The estimated aggregate cost for registration is \$242,235 ( $48,447 \times 5$ ). It is estimated that 20% of pool registrants will be randomly tested annually. The cost of testing ranges from \$25-\$64. The estimated aggregate cost of additional random screenings is approximately \$431,178 ( $(48,447 \times 20\%) \times \$44.50$ ).

This cost of compliance estimate is for the cost of compliance for requirements over and above what is currently required by FSSA for providers participating in the CCDF voucher program. CCDF program participation is voluntary. The aggregate estimates assume that all providers previously participating in the voucher program sometime during the year will choose to continue to comply with the requirements in order to continue participating in the CCDF voucher program.

**Information Sources:** Keith Carver, FSSA, 233-9238; Andrew Johnson, FSSA; Angela Hoover, FSSA, 233-0890; Janet Deahl, FSSA, 232-3096; Bob Vogt, Region V, Administration for Children and Families, 312-886-4927; Federal Register, 45 CFR Parts 98 and 99, Child Care and Development Fund; Final Rule; Jan Keltz, Development Director, Indiana Association for Child Care Resource and Referral, 1-800-299-1627.